

Message Text

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ACTION OPIC-06

INFO OCT-01 AF-06 ISO-00 COME-00 INT-05 AID-05 CIAE-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

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R 021350Z APR 76

FM AMCONSUL JOHANNESBURG

TO AMEMBASSY MBABANE

INFO SECSTATE WASHDC 4581

AMEMBASSY GABORONE

AMEMBASSY MASERU

AMEMBASSY PRETORIA

AMCONSUL CAPE TOWN

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CAPE TOWN FOR EMBASSY

DEPT PASS COMMERCE, OPIC AND BUMINES

E.O. 11652: N/A

TAGS: EMIN, SF, WZ

SUBJECT: SWAZILAND BARITE DEVELOPMENTS

REF: A) JOHANNESBURG 0055; B) MBABANE 0319;

C) MBABANE 0234; D) STATE 71324

1. DURING THE PAST WEEK, SEVERAL DEVELOPMENTS EMERGED IN JOHANNESBURG RELATIVE TO BARITE IN SWAZILAND; SPECIFICALLY AS TO A POSSIBLE EARLY CHANGE IN THE MANAGEMENT CONTROL OF SWAZILAND BARYTES LIMITED. WE HAVE ANTICIPATED CHANGE FOR SOME TIME (AND, HOPEFULLY, IMPROVEMENTS IN MANAGEMENT AND PRODUCT DEVELOPMENT), AND HAVE ASSUMED THAT BIDDERS WOULD SURFACE AS THE WORD SPREAD OF THIS OCCURRENCES MINING AND MARKETING POTENTIALS. WE SEEM, NOW, TO HAVE ENTERED THAT PHASE -- THOUGH DISCLOSURES THUS FAR CAN ONLY BE LIMITED OFFICIAL USE

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CONSIDERED AS PRELIMINARY, INTERIM, STEPS AND SHOULD NOT

REPEAT NOT BE DISCUSSED WITH INDUSTRY REPRESENTATIVES. OUR FINDINGS ARE HIGHLIGHTED BELOW:

2. SWAZILAND BARYTES LIMITED (SBL) PRESIDENT, D.G. KLIPIN, AS BEEN DEEPLY INVOLVED IN AN ALMOST FRANTIC ATTEMPT TO RAISE MONEY, REPORTEDLY ONLY FOR PERSONAL REASONS; NOT RPT NOT IN THE INTEREST OF DEVELOPING HIS BARITE HOLDINGS PER SE. (COMMENT: FOR THE RECORD, SBL BARITE IS OF FAVORABLE GRADE, THE MINE IS WELL LOCATED AS TO LOCAL AND EXPORT MARKETS, AND THE WORLD MARKET OUTLOOK FR BARITE IS EXCELLENT; E.G. A RECENT USGS FORECAST INDICATES THAT WORLD DEMAND WILL HAVE TOTALLED 23.4 MILLION TONS THROUGH THE YEAR 2000 -- HALF OF CURRENTLY-KNOWN US RESERVES. GIVEN THIS VIEW, KLIPIN'S POSITION IS A PARADOX. WE UNDERSTAND HE IS ON THE THRESHOLD OF BANKRUPTCY, FOR REASONS APART FROM HIS SBL HOLDINGS. HE FIRST TRIED TO BRING THIS PROPERTY INTO OPERATION (REF. A) TO BUILD CREDIBILITY AND PAY HIS BILLS. POOR MANAGEMENT AND INABILITY TO "PRODUCE", HOWEVER, NEGATED ANY SHORT TERM GAINS HE MAY HAVE OTHERWISE REALIZED. IMCO-HALLIBURTON REP, WILLIAM R. JORDAN, CONFIRMED APRIL 1 THAT SBL FAULTED BADLY ON ITS FIRST, AND ONLY, SALES CONTRACT TO DATE. UNDER CONTRACT, SBL WAS COMMITTED TO PROVIDE IMCO-HALLIBURTON WITH 1,300 METRIC TONS OF BARITE DURING JANUARY 15-MARCH 15, 1976 (REF A). SBL PRODUCED ONLY 160 TONS THROUGH MARCH 31. CONTRACT-WISE, TIME HAS RUN OUT ON KLIPIN. TIME SEEMS ALSO TO BE RUNNING OUT ON KLIPIN OTHERWISE AS WELL, VIS-A-VIS HIS PERSONAL PROBLEMS. END COMMENT).

3. KLIPIN HAS ACCELERATED HIS EFFORTS TO "GET OUT" QUICKLY, FOR ANY REASONABLE PRICE, RATHER THAN TO LOOK TOWARD THE LONGER RANGE GAINS POSSIBLE FROM BARITE PRODUCTION. TWO NEW POSSIBLE BUYERS ARE KNOWN TO THE REGIONAL MINERALS OFFICER (RMO) (THERE MAY BE OTHERS): (1) LOUIS LEWIS REPRESENTING "CEREAL AND GENERAL EXPORTS (PTY) LIMITED" OF SOUTH AFRICA, A BRAAMFONTEIN EXPORT/IMPORT BROKERAGE FIRM, AND (2) INVESTMENT CONSULTANT FLOYD ATCHISON LIMITED OFFICIAL USE

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(AMCIT).

4. LEWIS HAS NOT YET CALLED ON THE RMO, BUT TELEPHONED TO ASK FOR A COPY OF A REPORT ON THE MINE CLAIMED BY KLIPIN TO HAVE BEEN WRITTEN BY RMO SWEETWOOD. SWEETWOOD INFORMED LEWIS THAT SUCH A REPORT DID NOT EXIST AND THAT ONE COULD NOT BE EXPECTED FOR PUBLIC DISTRIBUTION IN THE FUTURE. (COMMENT: THIS HAS

BECOME A FAMILIAR KLIPIN PATTERN; INNUENDOS, HALF-TRUTHS AND ASSORTED EMBELISHMENTS ON THE TRUTH. IMCO-HALLIBURTON REP JORDON GOES FARTHER. PRIOR TO THE PREPARATION OF HIS FEBRUARY 18 LETTER TO THE RMO DESCRIBING IMCO'S DISSATISFACTION WITH KLIPIN (REF B), JORDAN CATEGORICALLY STATED VERBALLY THAT KLIPIN HAD PROVED TO IMCO-HALLIBURTON TO BE "A LIAR AND AN INCOMPETENT". END COMMENT)

5. ATCHISONS POSITION APPEARS TO BE THE STRONGEST AT THE MOMENT. REPRESENTING AMERICA AND SWISS MONEY INTERESTS, AND CURRENTLY WORKING WITH SWAZI BUSINESSMAN DENNIS LOCKWOOD AND KLIPIN PARTNER CRABTREE (FULL NAME NOT AVAILABLE HERE), ATCHISON CLAIMS HE WILL HAVE FINAL DRAFT OF PROPOSED OPTION TO PURCHASE AGREEMENT READY FOR KLIPIN'S SIGNATURE WITHIN NEXT FEW DAYS. THE OPTION, IF SIGNED, WOULD GRANT ATCHISON AND HIS ASSOCIATES A 6-MONTH PERIOD TO EVALUATE THE MERITS OF THIS OCCURRENCE.

THE OPTION WOULD, OF COURSE INCLUDE ONLY THE AREA CURRENTLY CONTROLLED BY KLIPIN AND HIS FIRM (AN AREA ENCOMPASSING 124 HECTARES -- 306 ACRES), BUT IT WILL BE ATCHISONS HOPE THAT AN ADDITIONAL 105 HECTARES (260 ACRES) MAY BE ACQUIRED UNDER PROSPECTING PERMIT FROM THE GOS TO EXTEND ORE RESERVE POTENTIALS. ATCHISONS GOAL WOULD BE TO PROVE (BY DRILLING, TRENCHING AND UNDERGROUND DEVELOPMENT) 0.5 MILLION TONS OF BARITE WITHIN THE OPTION PERIOD, FOLLOWED AS SOON THEREAFTER AS POSSIBLE BY FULL SCALE MINE AND PLANT OPERATION AT A LEVEL OF 2,000-3,000 TONS OF PRODUCT MONTHLY. SALES WOULD BE AIMED EXCLUSIVELY TOWARD AMERICAN CONSUMERS (DOMESTIC US AND/OR ELSEWHERE AS REQUIRE). IF THE OPTION IS SECURED, ATCHISON WILL LIMITED OFFICIAL USE

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PLAN EARLY VISIT TO MBABANE IN THE COMPANY OF LOCKWOOD AND CRABTREE TO CALL ON AMEMBASSY CHARGE LANE AND APPROPRIATE GOS OFFICIALS.

6. COMMENT: ATCHISON STATED THAT, AT THE OUTSET OF DISCUSSIONS, KLIPIN INITIALLY DEMANDED \$1.0 MILLION FOR THE "SALE" OF HIS PORTION OF THE OWNERSHIP IN SWAZILAND BARYTES LIMITED. THIS WAS NEGOTIATED DOWNWARD TO SOMETHING IN THE RANGE OF \$200,000-300,000. WE WILL ATTEMPT TO ESTABLISH AN ACCURATE FIX ON THIS FIGURE DURING A PLANNED MEETING WITH ATCHISON NEXT WEEK; PRIOR TO, OR IMMEDIATELY FOLLOWING, HIS PROJECTED "SIGNING CEREMONY". IN OUR VIEW, HOWEVER, THERE IS NO ASSURANCE YET THAT KLIPIN WILL IN FACT SIGN AS VERBALLY AGREED. WE WILL, IN ANY EVENT, REPORT PROGRESS. MEANWHILE, WE CONTINUE

TO BELIEVE THAT A POSSIBLE IMCO-HALLIBURTON PRESENCE
(POSSIBLY AS AN ACTIVE PARTNER IN A NEWSLY RESTRUCTURED
COMPANY) REFS C AND D) SHOULD BE PRUDENTLY GUARDED
AND FURTHERED IF AT ALL FEASIBLE. ATCHISON, INCIDENTLALLY,
HAS REPEATEDLY INDICATED THAT HE AND HIS ASSOCIATES
(LOCKWOOD AND CRABTREE) WOULD WELCOME AND IMCO
PARTICIPATION IF AT ALL POSSIBLE, AND IF SUCH WOULD BE
AGREEABLE TO THE GOS. HE CLAIMS ALSO THAT HIS
GROUP IS PREPARED TO SUPPORT A SIBNIFICANT GOS ROLE
IN ITS PROPOSAL FOR THE FORMATION OF A NEWLY-ORGANIZED
OPERATING COMVANY, SHOULD DEVELOPMENTS DURING THE
NEXT WEEK (OR SO) PERMIT THIS NEXT STEP. END COMMENT.
KIRBY

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